$552 million in 2010, $531 million in 2011, $797 million in 2012, and $648 million in 2013. Additionally, expenses have increased for acquisitions, insurance, and other program expenses, and HUD expects higher losses now that the Fund has guaranteed over $3.5 billion in current loans. Since section 184(d) of the Housing and Community Development Act of 1992 limited the guarantee fee to a maximum of 1 percent of the principal obligation, HUD's guarantee fee has been set at 1 percent. (See 24 CFR 1005.109.) The 2013 Consolidated and Further Continuing Appropriations Act (Pub. L. 113–6, approved March 26, 2013) amended section 184(d) of the Housing and Community Development Act of 1992, by authorizing the Secretary to increase the fee for the guarantee of loans up to 3 percent of the principal obligation of the loan and to establish the amount of the fee by publishing a notice in the Federal Register. Separate from this notice and published elsewhere in today's Federal Register, HUD updates its existing regulations to reflect the new authority.  

II. New Loan Guarantee Fee  

To meet the growing demand for participation in the Section 184 program, HUD is increasing the loan guarantee fee paid by borrowers to 1.5 percent of the principal obligation. In the absence of a loan guarantee fee increase, if the Section 184 program received appropriations of $6 million for Fiscal Year (FY) 2014, that funding would support only about $650 million in new loan guarantee commitments. Considering the increasing demand for the program, this may force HUD to limit access to the program for some otherwise eligible program participants. In addition, if HUD were to limit access to the guarantee program, HUD predicts that some lenders currently participating in the Section 184 program may choose to no longer partner with HUD to provide mortgage lending through the Section 184 program. Without those lenders, the Section 184 program would be unable to meet the demand for mortgage lending on trust land and in Indian and Alaska Native areas and tribal lands, potentially causing a further reduction in program activity.  

By raising the loan guarantee fee paid by borrowers to 1.5 percent of the principal obligation, the credit subsidy rate will go down, and HUD expects the program will be able to guarantee the volume of loans expected in FY 2014. In addition, HUD could resume refinancing off of trust lands in FY 2014, which was temporarily halted for all of FY 2013. Raising the loan guarantee fee paid by borrowers to 1.5 percent of the principal obligation would cost the average borrower (who has a $175,000 mortgage) an extra $4 a month on the borrower’s monthly payment. Even with these additional costs to borrowers, the Section 184 program will still be affordable. While paying an increased fee may be a hardship for some borrowers, HUD does not believe that the extra cost is cost prohibitive and believes it will have a limited impact on the demand for the program. However, the increased fee will allow HUD to continue to meet the demand for new mortgage lending transactions so that more Indian and Alaska Native families have the opportunity for homeownership.  

This notice places the new loan guarantee fee of 1.5 percent of the principal obligation of the loan in effect for all new case numbers assigned on or after April 4, 2014.  

III. Tribal Consultation  

HUD’s policy is to consult with Indian tribes early in the process on matters that have tribal implications. Accordingly, on September 6, 2013, HUD sent letters to all tribal leaders participating in the Section 184 program, informing them of the nature of the forthcoming notice and soliciting comments. A summary of comments received and responses can be found on HUD's Web site at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/ih/ homeownership/184.  

IV. Environmental Impact  

This notice involves the establishment of a rate or cost determination that does not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (U.S.C. 4321).  

1 The volume in 2013 does not represent program demand because during FY 2013, the program was shut down for 8 weeks and did not guarantee refinances, which typically accounts for 30 percent of the Section 184 program’s business.